

**MINUTES OF THE
ECONOMIC DEVELOPMENT AND REVENUE
APPROPRIATIONS SUBCOMMITTEE**

Room S210 Senate Office Building, State Capitol Complex

January 12, 2009

Members Present: Sen. Ralph Okerlund, Co-Chairman
Rep. Sheryl Allen, Co-Chairman
Sen. Gene Davis
Sen. Sheldon Killpack
Rep. Jackie Biskupski
Rep. Julie Fisher
Rep. Chris Herrod
Rep. Christine Johnson
Rep. Todd Kiser

Members Excused:

Staff Present: Dr. Andrea Wilko, Chief Economist
Dr. Thomas Young, Economist
Jennifer Eyring, Committee Secretary

Note: A list of visitors and a copy of handouts are filed with the committee minutes.

Rep. Allen called the meeting to order at 9:13 a.m.

Rep. Allen welcomed all in attendance and had the committee and staff introduce themselves.

Dr. Andrea Wilko presented an introductory slide presentation of the budgeting process, including timing, resources, allocation, and targets. Instead of being mailed, the COBI report is available online at www.le.utah.gov. The recommended reductions of 7.5% for FY2009 and 15% for FY2010 given by the analysts are meant as a starting point for the committee and do not include across the board actions or tapping of the rainy day fund. Questions from the committee were addressed.

Jim Grover, Budget and Policy Analyst, Governor's Office of Planning and Budget, was introduced and spoke to the Committee about the Governor's Budget proposal. The Governor's Office is looking at a 1.5% reduction for FY2009 and 7.5% reduction for FY2010, using the possibility of bonding and the rainy day fund to fill in the gaps. Questions from the committee were addressed.

The "Staff Budget Recommendations for the 2009 General Session" pages were made available and were referred to for the remainder of the discussion.

Dr. Wilko gave an explanation of the reductions and some possible effects the reductions would have on various agencies and programs. One-time funding that has been previously spent is not available for reduction, so other areas may receive a disproportionate amount of reductions.

The committee addressed the possibility of clawbacks on money that has been distributed, but not yet spent.

The staff recommended reductions have been made by working with the various agencies to minimize impact to their statutory responsibilities and are targeted reductions, not across the board cuts.

Dr. Wilko discussed each reduction or elimination proposal for the Department of Community and Culture and the Governor's Office of Economic Development.

Sen. Killpack explained the Davis County West Side Development project, affiliated with Hill Air Force Base, to the committee.

Concerns from the committee included problems for the non-governmental entities if portions of grant money is withheld, loss of matching Federal funds, number of FTE positions and students affected, and the effect the reductions would have on programs and economic development.

Rep. Allen relinquished the chair to Sen. Okerlund.

Dr. Thomas Young discussed the proposed reductions for the Tax Commission and USTAR program. Most of the proposed FTE reductions for USTAR are currently unfilled positions.

Department heads will have the opportunity to more fully address the reduction proposals and answer questions at the January 21, 2009 meeting.

MOTION: Sen. Davis moved to recess until 2 p.m.

Sen. Killpack requested the Department heads be given the opportunity to give their initial reactions to the proposed reductions in the afternoon session. He also requested a breakdown of FTEs in each department.

The motion passed unanimously with Rep. Allen absent for the vote.

Sen. Okerlund recessed the meeting at 10:42 a.m.

Afternoon session

Rep. Allen called the meeting to order at 2:25 p.m.

Department of Community and Culture

Palmer DePaulis, Executive Director, Department of Community and Culture, expressed thanks to the committee and Dr. Wilko for working with the Department on the proposed reductions. He stated a 15% reduction will take a toll on many programs and FTEs. The Department has become more efficient in the past years and has reduced the number of FTEs. Increased funding over the past years has passed through the Department to other entities. Since some funds are already spent or committed, a disproportionate reduction of other funding is required. A more consistent process for distributing funds is being considered. Questions from the committee were addressed.

Sen. Okerlund requested information on reductions that might result in a loss of Federal funding.

Rep. Allen discussed possible legislation that would utilize existing boards to help prioritize funding for grants.

Dr. Young distributed and explained information and concerning current FTE numbers and proposed reductions by Department and Division.

Tax Commission

Rod Marrelli, Executive Director, Tax Commission, discussed the proposed reductions. In the special session held in September, the Commission lost 16 FTE positions. Additional FTE reductions are proposed. The Governor's budget recommends an increase in the motor vehicle registration fee. The fee increase could offset the proposed reductions. Losing positions could result in a reduction of revenues. Questions from the committee were addressed.

Sen. Okerlund requested the Tax Commission help prioritize potential reductions and provide information concerning potential loss of revenue.

Governor's Office of Economic Development

Jason Perry, Executive Director, Governor's Office of Economic Development, discussed potential effects of reductions. The Department can show a positive return of investment for each program. Most of the allocated funds pass through to other entities. A discussion was held concerning the proposed loss of funding for the Snow College Nursing Program, the Business Resource Centers, Utah Defense Alliance Fund, and the Science Camp Fund.

Sen. Okerlund asked if there is a possibility for the state to help privatize some of these programs that leverage business into the community and Mr. Perry agreed to look at the options.

Rep. Kiser stated that the committee should look at things that will stabilize and grow the economy and requested return on investment information.

USTAR

Ted McAleer, Executive Director, USTAR, addressed the committee concerning the return of investment process as it applies to USTAR, and gave an update on the benefits to the state from the coal sequestration project. In the special session held in September, USTAR returned 4.8 million from their non-lapsing funds to the budget, along with the reductions taken at that time. Questions from the committee concerning recruitment of Star Faculty members were addressed. USTAR currently has 26 people in the recruitment process.

MOTION: Rep. Kiser moved to adjourn the meeting.

The motion passed unanimously with Sen. Davis and Sen. Killpack absent for the vote.

Rep. Allen adjourned the meeting at 3:20 p.m.

Sen. Ralph Okerlund, Co-Chair

Rep. Sheryl L. Allen, Co-Chair